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Topping Resigns

Salvatierra Takes Over

Livengood Goes On Leave

Bureauacracy Marches On

March/April 1980

RIPON FORUM

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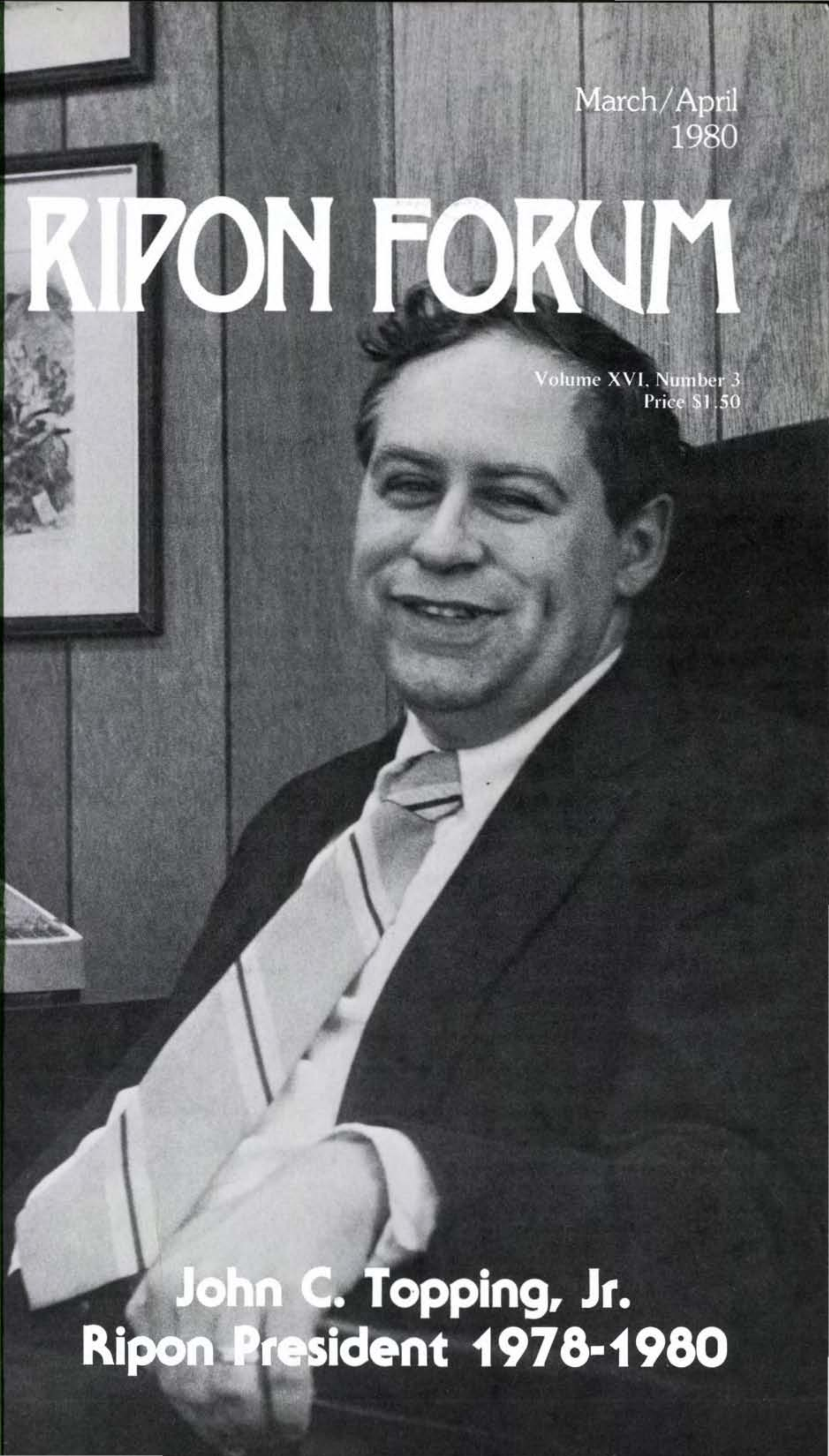

**John C. Topping, Jr.
Ripon President 1978-1980**

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RIPON FORUM

Editor: Steven D. Livengood
Art Director: Elizabeth Lee (The Graphic Tuna)

THE RIPON FORUM (ISSN 0035-5526) is published monthly (except for the March/April and July/August combined issues) by the Ripon Society, Inc.

In the publication, the Society hopes to provide a forum for fresh ideas, well researched proposals, and a spirit of creative criticism and innovation in the Republican Party. Manuscripts and photographs are solicited, but do not represent the views of the Society unless so stated.

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The Ripon Society, Inc., John C. Topping, Jr., President, is a Republican research and policy organization whose members are business, academic, and professional men and women. It is headquartered in Washington, D.C., with fifteen chapters, several affiliated subchapters, and National Associate members throughout the United States. The Society is supported by chapter dues, individual contributions, and revenues from its publications and contract work.

1979 RIPON ANNUAL REPORT

1979 was the 125th Anniversary of the founding of the Republican Party, and it opened appropriately with a small gathering of dedicated citizens braving a snowstorm to trek to Ripon, Wisconsin, for an anniversary reception and dinner sponsored by the Ripon Society and Ripon, Wisconsin, Republican club on March 24.

Definitely the highlight of Ripon's year was the 17th Annual Meeting of Ripon's National Governing Board in Philadelphia, April 28 and 29. This meeting focused Ripon's new momentum and spread a feeling of self-confidence we have not had as an organization in some years. Most encouraging was the announcement of the membership of the revitalized National Governing Board, which includes a Republican State Chairman, a National committeeman, a state public service commissioner, a member of a governor's staff, a nationally prominent physicist, an international newspaper publisher, a prominent former U.S. Attorney, several nationally prominent minority entrepreneurs, fifteen academics, three elected officials, two candidates for local offices, and altogether representatives from 37 states.

Topics of the political panels held in conjunction with the Board meeting were 1980 politics and campaign finance. Governor Richard Thornburgh gave a rousing address to the group at lunch, stressing the importance of state governorships to the Republican Party, and the great potential and symbolism of the new class of Republican officeholders. The evening dinner program was a parade of Republican "Stars" for the 1980's: Pennsylvania Lt. Gov. William W. Scranton III, Attorney General Edward G. Biester, Secretary of State Ethel Allen, Lucas County (Toledo, Ohio) Auditor Daniel G. McNamara, and former Republican congressional nominee Kenneth Grossberger of New York.

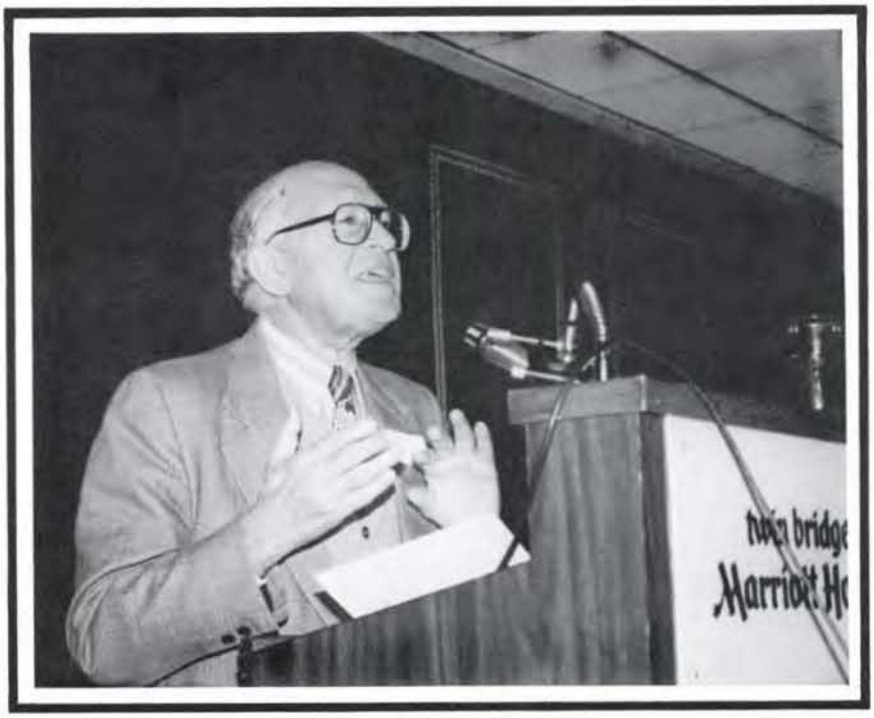
The governing board re-elected John C. Topping, Jr. as president. Vice President is Richard J. Salvatierra, a nationally-prominent Hispanic-American businessman; Secretary Patricia Lines left her position as professor at the University of Washington to join the Staff of Congressman James A. S. Leach of Iowa; New York banker Russell P. Pennoyer is Treasurer.

The NGB's decision to hold a National Issues Conference in Washington resulted in a very well attended meeting on December 1 and 2. Organized around the theme, "Energy and Inflation: Can the GOP Do Better?" the conference had panels on both domestic and international energy policy, on government spending as inflation, on the bureaucracy, and on the political outlook. The conferences attracted a U.S. Senator, four congressmen, the United Nations Senior Advisor on Energy, the president of the National Coal Association, a vice president of a major oil company, the president of a major experimental energy corporation, two editors of major national magazines, and one presidential candidate. The Bush presidential campaign had an information booth and John Connally's campaign served coffee Saturday morning. Candidate John B. Anderson addressed the Saturday dinner.

The issues panels and conference discussion helped form Ripon's positions for the 1980 Republican National Platform. Ripon members will testify at platform hearings across the nation in 1980 in support of our policy proposals.

The NGB also approved the founding of the Ripon Educational Fund, Inc., a non-profit, tax-deductible research organization. The Fund was incorporated in the District of Columbia and has been granted status under Section 501 (c) (3) of the tax code.

The *RIPON FORUM* magazine continued to be the Society's primary activity. Magazine articles and commentary put Ripon at the center of the debate on the draft (March/April, May, June, July/August) supply-side economics (July/August, December) the Middle East (October, November, December), and energy policy (May, June, October, December). Other articles discussed foreign policy concepts, educational vouchers and desegregation, federal grants and local government, and patent policy and technological development.



Dr. Ishrat Usmani, Senior Energy Advisor to the UN

The Ripon Ratings proved again to be a popular feature of the *FORUM*. Our series of articles on the presidential candidates produced a lot of national interest, particularly when we predicted the initial impact of a Kennedy candidacy. (No, we did not forsee his downfall and can't even claim credit for speeding it.) A review of rising Republican stars in the July/August issue also attracted much attention.

The *FORUM* was the scene for an exchange of letters on the subject of the draft between Congressman Paul N. McCloskey, Jr. and Hollis Colby, the *FORUM's* backwoods Vermont columnist. We published another documentation of the checkered and questionable career of New York Congressman John N. Murphy. The *FORUM* also mourned the deaths of Republican leaders Congressman William A. Steiger, former Vice President Nelson A. Rockefeller, and Theodore Jacqueney, head of Democracy International and a Ripon governing board member.

In other projects, NGB member and former Chairperson Peter V. Baugher testified for Ripon at the Senate Foreign Relations Committee hearings on the SALT II treaty. Parts of Peter's testimony were reprinted by the *Christian Science Monitor*. Ripon also supported a lawsuit against the Federal Elections Commission. This one, including the American Civil Liberties Union, Young Americans For Freedom, and the Committee for a Constitutional Presidency, challenges the limitations on independent expenditures in Federal elections. The lawsuit Ripon filed along with the Republican National Committee in 1978 has already forced the F. E. C. to revise its rules inhibiting grassroots activity in presidential campaigns. That suit has been successful on a number of issues but is awaiting a formal decision by the U.S. District Court. Ripon joined more than a dozen public policy groups for a White House press announcement supporting the deregulation of the trucking industry.

The biggest event for Ripon as an organization was the successful direct mail marketing test in early September. Ripon entered into a contract with Working Names, Inc. to test and market both Ripon and the *FORUM.* Working Names President Meyer T. Cohen and Ripon Executive Director Steve Livengood worked together to design and test promotional letters signed by Senator John H. Chafee of Rhode Island. The success of the September test led Cohen to agree to invest in a large scale promotional effort for Ripon in 1980. The overall response to the test registered a 10% increase in paid *FORUM* subscriptions and a 10% increase in Ripon members as well.

A long-time Ripon dream of establishing and computerizing a definitive moderate mailing list began to emerge into reality through an agreement among Ripon, Working Names, and Action Data Processing Company. Working Names began to market the list for rental and Action Data did the computer work on credit against future list sales. This list rental can be a major source of income for Ripon in 1980, as well as centering on Ripon the communication among moderate Republicans. The list now stands near 200,000 and we are continuing to add new lists almost daily through the efforts of our members and supporters.

Ripon's 1979 income was $58,819.16, up 15% from 1978. Expenditures at $60,524.61 still exceeded income, but were up only 5%. yhis year. The short fall has been made up through loans from our supporters who are certain that at long last black ink lies ahead.

One of the most significant outcomes of the successful Annual Meeting in Philadelphia has been the revitalization of the position of Chair of the NGB. Henri Pell Junod, Jr., longtime Ripon member, decided to take a hiatus from his teaching career and accepted the position. Hank has contributed significantly to our activities this year, particularly in organizing and directing the December National Issues Conference and serving as Ripon's public spokesman and emissary to Capitol Hill. He also serves as president of the Ripon Educational Fund.

Executive Director Steve Livengood represented Ripon at the Grinnel College Republican Conference in Iowa and at the Republican Governors Conference meeting in Austin, Texas. Most of Steve's efforts this year went into the direct mail project. The National Executive Committee employed Bart Doyle as Political Director from June until his resignation in January to join the Anderson for President Campaign. During his brief tenure at Ripon, Bart traveled from coast-to-coast contacting friendly individuals and attracting new Ripon members. He also set up contacts with all of the presidential campaigns and revived the Ripon correspondent network. Office assistants JoAnn Cassebaum, Hamdi (Sammy) Saleh, and Steffi Nason helped keep the Washington office running smoothly, if barely. Ripon's summer intern, Jeff Burt of U.C.L.A., lent enthusiastic service, as well as providing a fresh perspective on politics.

Ripon members achieved new heights of prestige and power in 1979. Governor Lamar Alexander of Tennessee quickly brought good government to the Tennessee Board of Pardons and Paroles by appointing Memphis Ripon Chair Linda K. Miller. He also selected Ripon Member Bill Gibbons as his chief assistant. In April, former Ripon Executive Director and founder Thomas E. Petri waselected to Congress from Ripon, Wisconsin, and the 6th District in a special election to succeed the late Congressman Bill Steiger. Lee Huebner, Ripon founder and former president, was selected as publisher of the *International Herald Tribune* in Paris. Late in the year former Ripon Executive Director Richard W. Rahn was appointed Vice President and chief economist for the U.S. Chamber of Commerce. One man who inspired the founding of the Ripon Society, Washington Secretary of State Bruce K. Chapman, formed an exploratory committee to test the waters for a guberbatorial race. Richard A. Zimmer, the only person known to have been president of three different Ripon chapters, was narrowly defeated in a bid for the New Jersey State Assembly; NGB member Randall Shepherd lost a race for Mayor of Evansville, Indiana, as did NGB member Joel Goldstein in his run for the Louisville, Kentucky, Board of Aldermen, Republican Women's Task Force Chairperson and Ripon member Susan McLane left her chairmanship of the New Hampshire House Ways and Means Committee to become a State Senator and thereby to return that body to its rightful Republican control. Former NGB Chairperson Patricia Goldman was appointed to the National Transportation Safety Board, and Pat's old job as House Wednesday Group director went to Ripon member J. Hallock Northcott.

Ripon, 1979 can probably be epitomized by the successful direct mail test of this fall. We have believed for 17 years that the idea behind the Ripon Society, "A Call to Excellence in Leadership" is sorely needed in our party and in our nation. We have created and perpetuated an organization to carry forward our ideal. Ripon has survived longer than almost any other national political group. Yet for several years we have been searching for the appropriate means of communication to reach the grassroots of our party. Now, through the direct mail medium we are talking directly to ordinary citizens across the nation – thousands each month – and they are responding by contributing and joining.

We have found a new source of growth, a better means of communication, and a firmer financial footing through this program. We expect Ripon to reach its broadest audience ever in early 1980 and to ascend to new heights we can boast of in our 1980 Annual Report. ■

Emerging Deregulation in Health Legislation

by Donald T. Bliss

Free-market economists, riding the crest of the anti-regulation wave sweeping Congress, are beginning to encroach upon one of the last bastions of government regulation – health care financing. Moderate Republicans, many of them newcomers to the health care scene, are proposing substantial pro-competitive reforms. Senators Durenberger and Schweiker have introduced comprehensive pro-competition health insurance bills in the Senate, and Representative Stockman is preparing a bill that will introduce market-oriented principles into the health care system. On the Democratic side, Representatives Ullman and Gephardt have advanced comprehensive proposals to apply the principles of competition to the health care system. Even more conventional advocates of national health insurance like President Carter and Senator Kennedy are acknowledging that market-oriented principles have some applicability in the fight against rising costs.

The conventional wisdom, of course, is that market-oriented economics simply will not work in the health care field. It will not work, it is alleged, because the market forces of supply and demand are distorted by government regulation and third party financing and because health care services are inherently not competitive. On the demand side, doctors, rather than patients, make the critical choices about what health care services are required, and third parties (Blue Cross/Blue Shield, commercial insurance, or Medicare and Medicaid), rather than patients, pay the bills. The tax laws and collective bargaining conspire to reduce cost-sharing by the patient giving him little reason to be cost-conscious. And federal programs – including Medicare and Medicaid – reimburse providers and physicians for costs and charges on a cost-plus basis, thereby rewarding excessive spending and escalating costs while penalizing the efficient and cost-conscious. Open-ended financing generates excess capacity which instead of driving down prices simply creates its own demand in the form of unnecessary surgery and overutilization of health care facilities.

Yet, despite efforts to control spiralling health care costs through increased regulation at the federal and state levels, the net effect of increasing government regulation has been unprecedented cost inflation. The average cost of a day in the hospital has increased from $15.62 in 1950 to $227.52 in 1978 – seven times the general rate of inflation. Health care has become one of the nation's largest industries, constituting over nine percent of the gross national product, up from 5.3 percent in 1960. Per capita health care expenditures in the United States have increased from $217 in 1965 to $963 in 1978.

Donald T. Bliss was Assistant to the Secretary of Health, Education and Welfare from 1969-1973 and is currently a partner in the law firm of O'Melveny & Myers in its Washington, D.C. office. Don is a member of Ripon's National Governing Board.

Despite this enormous increase in health expenditures – attributable in part to remarkable but expensive improvements in lifesaving technology – there remain serious gaps in the nation's health care system. According to Health and Human Services Secretary Harris, eighteen million Americans do not have any health care coverage and others have inadequate coverage. Many more do not have any protection against financially ruinous catastrophic illness.

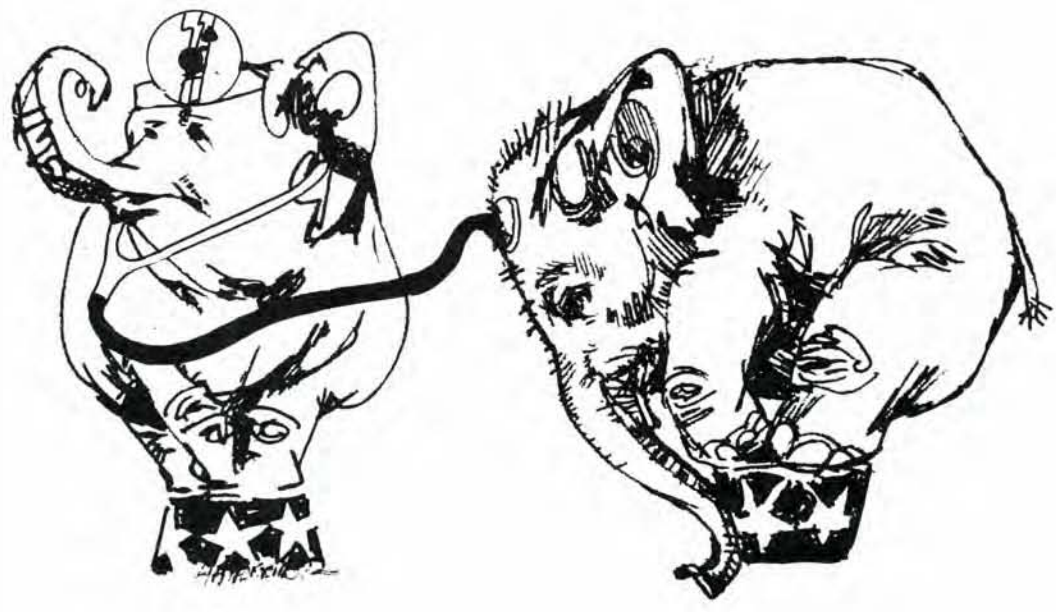
Comprehensive solutions to the problems of increasing costs and gaps in coverage – ranging from Senator Kennedy's Health Care for All Americans Act to President Carter's National Health Plan – have been proposed repeatedly during the past decade. But these programs would place an enormous, uncontrollable demand on the federal health care budget, exacerbating the inefficiencies and distortions inherent in the present system. Their chances of enactment are dwindling as the annual inflation rate rages at over eighteen percent and a "balance the budget" mood permeates Congress.

In this backwater period – when the drive toward national health insurance has lurched to a sudden stop – the 96th Congress has the opportunity to assess the conventional wisdom and explore new ideas and approaches to the financing of health care.

The falacy of the conventional wisdom.

Proponents of the status quo mistakenly believe that the existing health care financing and regulatory scheme – which is admittedly anti-competitive and inefficient – constitutes the inherent structure of the health care industry. In fact, there is increasing evidence that competition among delivery systems and insurers and active consumer involvement in making fundamental choices about his or her health care will bring many benefits to the health care system. These benefits include cost-efficiency, convenience, improved access, innovation, enhanced quality, and responsiveness to consumer choice.

The health industry is actually less susceptible to effective government regulation than many other industries for which deregulation is now strongly urged. Medical care is subject to so many variables that uniform regulation cannot effectively evaluate its quality. The care of a patient simply cannot be measured in revenue-passenger-miles or hospital-day-beds. To claim that health care is too important to entrust to consumers is bureaucratic paternalism of the worst sort. Of all the choices that consumers must make, none is more important than those which preserve or restore the health of the individual. Thus, the conventional wisdom is becoming increasingly suspect in academic circles, in industry and in Congress.*



*See, e.g., C. Lindsay, *New Directions in Public Health Care* (Institute for Contemporary Studies 1980); J. Meyer, *Health Care Cost Increases* (American Enterprise Institute 1979); R. Helms, *Contemporary Economic Problems* 327 (American Enterprise Institute 1978); A. Enthoven, *Consumer-Choice Health Plan,* 298 New England Journal of Medicine 709 (March 30, 1979); A. Enthoven, *Consumer-centered vs. Job-centered Health Insurance,* 57 Harvard Business Review 141 (January-February 1979); W. Hsiao, *Public versus Private Efficiency,* XV Inquiry 379 (December 1978); C. Havighurst, *Health Care Cost-Containment Regulation: Prospects and an Alternative,* 3 American Journal of Law and Medicine 309 (1977). The writer wishes to acknowledge the substantial contribution that these authors, and others, have made to the study and articulation of the concepts summarized in this article.

Emerging principles.

In recent Congressional debate on national health insurance, catastrophic protection and hospital cost containment legislation, a new awareness has emerged that the principles of market-oriented economics can effectively address the problems of rising costs and inadequate coverage. No one is advocating complete deregulation; what is needed is a better balance between government regulation and marketplace incentives. Instead of destroying competition, regulation should harness market forces to promote acceptable standards of health care for all Americans and to maximize innovation, cost-efficiency, and genuine consumer choice and participation. From this debate, four basic principles are evolving that can be applied – that indeed are essential – to an efficient health care system. In furtherance of these principles, federal legislation must seek to (1) foster competition among alternative health care plans, (2) replace the cost plus reimbursement system with fixed premium financing that reflects competitive pricing in the marketplace, (3) encourage informed consumer choice and cost-sharing, and (4) eliminate or minimize legal restraints on competition and innovation. Each of these principles requires elaboration.

Competition among alternatives.

Competition among insurers and providers of health care (e.g., hospitals and doctors) is healthy. Competition will bring about greater efficiency in the utilization of hospital facilities and medical services. And because these efficiencies are produced by impersonal market forces, they will not be subject to the often insurmountable political and legal problems created by government attempts to curtail unneeded facilities or programs. Moreover, competition encourages diversity, innovation and quality in the delivery of health care services.

Price competition among hospitals and other providers can work to control costs and to provide better services. If patients share in the cost of medical care through deductibles and co-payments, they are likely to shop around for quality health care at a reasonable cost. Most importantly, insurers and other health plans can stimulate vigorous competition and cost-consciousness among hospitals and doctors by negotiating with them to obtain favorable rates for their patients.

Competition also has a positive effect on the quality, convenience, and comprehensiveness of health care services. Innovators seeking to tailor their services to the particular needs of certain consumers can introduce substantial efficiencies into a competitive marketplace. Comprehensive insurers or health maintenance organizations (pre-paid plans that provide comprehensive services at a fixed rate) can respond to consumer preferences for complete health care for the family.

Instead of stifling competition through excessive regulation and financial disincentives, federal health statutes should be revised to encourage competing health care plans and insurance arrangements, to provide beneficiaries an informed choice among these competing alternatives, to ensure equitable federal financing treatment for alternative plans, to eliminate legal constraints on competition and to require consumer cost-sharing.

One way to foster competition in the private sector would be to amend the Internal Revenue Code to provide that employers may deduct insurance premium contributions only if they offer three or more alternative health care plans to their employees, contribute an equal amount to each plan, and require employees to share in premium and health care costs. Because such a requirement may unduly burden small employers with excessive administrative costs, special subsidies, tax credits or exemptions should be considered for employers under a certain size (e.g., under 200 employees). Senator Schweiker and Chairman Ullman have introduced bills containing variations of this approach. Alternatively, the tax structure could be revised to replace the employer deduction for premium costs with an employee credit, thus shifting the responsibility from employers to consumers. This approach is similar to one proposed by Professor Alain C. Enthoven, a leading proponent of economic competition in the health care industry.

Federal financing reform.

The second emerging principle is that the federal cost-plus reimbursement system should be modified. This reimbursement system encourages over-investment in expensive technologies, over-utilization of medical facilities and services and the development of excess capacity. Such incentives must be reversed. Instead of reimbursing costs or charges for actual services, the federal government should purchase health care coverage by paying a prospectively-fixed premium to competing plans that qualify to participate. The premium could be, for example, 80 percent of the average subscription price of the five largest plans in the community. Beneficiaries would pay the difference between the federal contribution and the price of the plan selected. Fixed premium financing would encourage cost-consciousness and reward efficiency. Because health maintenance organizations, private insurers and other qualifying plans could retain the difference between the premiums received and the actual costs incurred, they would have every incentive to control costs and to negotiate the most cost-efficient program with individual providers. Such premium financing should treat all competing plans equitably, with each plan in a particular community receiving the same federal contribution. The more efficient plans could reduce the consumers' co-payment, expand the services offered, provide a rebate, or retain a profit.

Perhaps the best example of a successful plan predicated on this principle is the Federal Employees Health Benefits Program (FEHBP), which has been in effect since 1960 and is now providing health care services to over ten million individuals. More than eighty different health care plans participate in this program, thus offering employees a wide range of choices among competing health care delivery systems. Whichever plan the employee chooses, the government as employer contributes a fixed amount, calculated as the average of the premiums of several of the largest plans. The employee pays the rest. Because the amount of the government's contribution does not vary with the cost of the plan selected, employees are encouraged to select that plan which provides the greatest benefits at the lowest cost. Carriers offering the plans, in turn, are forced to compete for employees' premium dollars, by reducing their own administrative costs and contracting with the most efficient providers of health care services.

By replacing retroactive reimbursement with this type of financing, the federal government, with its increasing share of the nation's health care bill, would initiate a fundamental change in the incentive system. Instead of promoting cost inflation, it would be fostering competition in the delivery of quality health care at the lowest possible cost. Such fixed premium financing need not – and should not – involve extensive government rate-setting and regulatory control. If there are a sufficient number of competing plans offering alternatives to the consumer, the marketplace, rather than an administrative agency, will exercise the needed price control.

Empirical studies indicate that fixed premium financing could reduce per capita costs substantially. One Medicare study, for example, involving six pre-paid group practice plans, demonstrated that Medicare paid, on the average, 36 percent less for beneficiaries enrolled in health maintenance organizations on a fixed premium basis than for those reimbursed on a cost basis. In a California study, the average family premium for enrollees in a health maintenance organization was about $85 per month compared to a $125 per month average cost for families under the cost reimbursement system.*

Consumer participation.

A third emerging principle is that of informed consumer choice and participation. Competition among alternative plans and reformed federal financing will improve the *quality* of health care only if consumers make wise choices, have the flexibility to choose from among alternative plans, and have the freedom to change plans. Employers, federal agencies and others should be required to provide correct and concise information enabling consumers to compare the benefits and costs of alternative plans. Open seasons should be required which permit dissatisfied consumers to change plans on an annual or semi-annual basis without losing any rights.

Consumer cost-sharing is essential to the responsible exercise of consumer choice. Consumers who can afford to do so should be required to share in the cost of premiums and in the costs of services provided through deductibles and copayments. Preferably, financial participation should be on a first dollar basis. Under too many plans, of which Medicare is an egregious example, the heavy cost-sharing burden accrues after substantial medical expenses have been incurred or numerous hospital days accumulated. Such occasions are hardly the appropriate time to encourage consumer awareness and participation in the critical health care choices.

There is empirical evidence that cost-sharing reduces utilization and per capita costs. Martin Feldman, Director of the National Research Bureau and Harvard Professor of Economics testified before the Senate Finance Committee:

> Increasing the extent to which individuals pay directly for their own hospital care would limit the future rise in hospital costs. My calculations indicate that even a relatively small increase – from the present 10% to 14% – in these copayment rates would be sufficient to achieve the Administration's goal [of a 13% reduction in hospital spending by 1984].*

Eliminating constraints on competition.

The fourth emerging principle is that Congress should eliminate or minimize the numerous disincentives and inequities in the current statutory structure that stifle competition. Foremost among these is the full tax deduction for employer-paid health insurance premiums. This indirect subsidy destroys the incentive for the employer to provide meaningful

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*See A. Enthoven, "The Politics of NHI," in C. Lindsay *New Directions in Public Health Care* 227 (Institute for Contemporary Studies 1980).

*Testimony before the Health Subcommittee of the Senate Finance Committee, March 15, 1979. According to a publication by the Heritage Foundation,

> "There is empirical evidence to support Professor Feldstein's contention. In 1972, for example, California undertook an experiment which introduced nominal charges for office visits to physicians under the state's medicaid program. One-quarter of the medicaid beneficiaries were required to pay a dollar charge for the first two visits in any month, and a $.50 charge for the first two prescriptions . . . . A study of the experiment indicated that office visits fell by 8 percent. Similarly, a recent experiment in the New York medicaid program which involved a $.75 charge for office visits reduced visits by 60 percent. (footnotes omitted)

S. Butler, *The Competitive Prescription for Health Cost Inflation*, The Heritage Foundation 9 (1980).

options to the employees and for employees to seek the most cost-efficient health care plan. A second disincentive in health planning legislation is the certificate of need process which too often is administered in ways that discourage innovation and new entry and reduce competition. Some health care planning is probably inevitable, but as Professor Clark C. Havighurst of Duke Law School has suggested, it can and should be designed to complement and sustain competition in those areas where competition works – or could be working – effectively.**

Creeping Competition in the National Health Insurance Proposals.

The 96th Congress has been marked by unprecedented references to competition in the major national health insurance proposals, the introduction of several major pro-competitive health care proposals by Senators Durenberger and Schweiker, and Ways and Means Committee Chairman Ullman, and the announcement of forthcoming proposals from Representatives Stockman and Gephardt.

President Carter's proposal.

The Administration's national health insurance proposal inches toward two of the principles of market-oriented economics described above. In his health message to Congress of June 12, 1979, President Carter established as one of six fundamental objectives of national health insurance, the "reform of the health care system to promote competition and contain costs." In furtherance of this objective, his proposal (S. 1812, H.R. 5400) would support the creation of competitive alternatives by providing financial incentives for employees and the beneficiaries of federal programs (renamed Healthcare) to enroll in health maintenance organizations (HMO's) and other cost-effective health care plans.

The President's proposal also recognizes the benefits of equitable fixed premium financing for alternative plans. Healthcare and employers would be required to make equal contributions to the alternative health plans. Thus employees who choose more cost-effective plans would pay lower premiums, receive a rebate or be entitled to expanded health benefits. Healthcare recipients who chose the most efficient alternative would be entitled to expanded benefits.***

Comprehensive reform.

National health insurance proposals which have received less public attention than the Kennedy and Carter proposals have gone substantially further in incorporating the principles of market-oriented economics. Senator Schweiker has introduced legislation (S. 1590) that would require employers with more than 200 employees, seeking to qualify for premium tax deductions, to provide at least three alternative health insurance plans to their employees, including an HMO option. At least one of these plans must provide that the employees pay twenty-five percent of hospital costs (up to a maximum of twenty percent of annual income). In place of the current Medicare ceilings on hospital days, beneficiaries would be required to pay twenty percent of hospital costs regardless of the number of days until all co-payments for hospital and medical services reach twenty percent of net income in any one year. Thus, patients would share in hospital costs at the initial stages of hospitalization when they are best able to make the necessary critical choices.

Senators Durenberger, Boren, Boschwitz, and Heinz have introduced the most comprehensive bill (S. 1485) "to encourage competition in the health care industry." The Health Incentives Reform Act would require employers to offer employees a choice of at least three alternative health care plans. The employers' contribution to the premiums would be the same for all plans. Employees may choose an economic plan and keep the savings, or an expensive plan and pay the additional costs. Employees would share in the cost of premiums, and the employers' tax deduction would be limited to the average premium cost for federally qualified HMO's across the country.

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*Some progress was made last session in introducing competition into the planning process. The Health Planning and Resources Development Amendments of 1979, Pub. L. No. 96-79, amended the national health planning priorities to include the strengthening of competitive forces on the supply of health services, but only where competition would allocate supply consistent with the plans of health systems agencies and state health development agencies. The law further established effect on competition as a criterion for planning and made fostering of competition a goal of health systems agencies and state development agencies in their review of proposed health system changes. The amendments also exempted many HMO's and combinations of HMO's from certain certificate of need requirements.

*Even Senator Kennedy has come a long way in his "Health Care for All Americans" proposal of 1979 (S. 1720, H.R. 5191) when compared to his "Health Security Act" proposal of previous years. While the overall effect of the Kennedy proposal would still produce substantially greater federal regulation, he at least noted the benefits of competition in this year's incarnation. He relies on the private sector – on insurance companies, Blue Cross/Blue Shield plans, HMO's, or independent practice associations – to provide health insurance to the vast majority of Americans, and he would replace the retroactive cost-plus reimbursement system with prospective budgeting of hospital costs and the negotiation of fee schedules with physicians. He would encourage competition among alternative plans – especially HMO's – and claims that the effect of such competition will be increased administrative efficiency and supplemental coverage.

Under S. 1485, Senator Durenberger's original bill,* Medicare would be amended to allow beneficiaries to choose to be insured by innovative and cost-effective private health care plans, including HMO's. The Durenberger bill reflects the successful experience of the Senator's home state with competition. Some 300,000 residents in the Twin Cities are enrolled in eight HMO's and the benefits of competition in terms of price and quality of service are considered substantial.

Ways and Means Committee Chairman, Al Ullman, has introduced H.R. 5740, which would impose a dollar limit (proposed at $120 per month) on the tax-free premium an employer could contribute to an employee's health plan.* Presumably this would require employers to subsidize plans that do not provide for meaningful cost-sharing. Ullman's bill would require employers to offer employees alternative health benefit plans, including a low cost option (at or below $75 a month) or an option to enroll in a qualified HMO. The employer would be required to make approximately equal employer contributions to different plans. The bill also would revise the method of reimbursement to HMO's providing Medicare services. The Secretary would determine annually for each class of patients a per capita rate of payment equal to 95 percent of the "adjusted average per capita costs."

Representatives Gephardt and Stockman have both announced plans to introduce comprehensive pro-competitive bills this session.

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Thus, the surge toward deregulation — supported by the general anti-regulation mood of the country and its mirror reflection in Congress — is even percolating in the health care arena. The staunchest proponents of national health insurance are at least giving lip service to these new concepts, and others are proposing innovative, revolutionary approaches that a few years ago would have been thought heretical. It is unlikely that any significant reforms will be enacted during the current legislative session. Nonetheless, the session is crucial because a full range of proposals has been aired and innovative, even revolutionary, concepts have been introduced that may flower or fester in forthcoming sessions. ■

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*Senators Durenberger introduced a second bill, S.1968, which omits the basic reforms of Medicare.

*Various other bills have been introduced to modify the tax deduction for employer premium contributions so that the deduction is contingent upon premium cost sharing by employees (H.R. 3943) or upon the employer's provision of optional plans (S. 1590).

Feedback: Letters and Brickbats

To the Editors:

I also don't believe that in item seven of the Ripon Energy Program that the urgent necessity of bringing into being additional nuclear powered generating plants in the next 20 years has been adequately stressed.

In spite of the myriad of alternate sources of power which have been suggested, there is little or no chance that a combination of any of them will meet our needs during this period unless the regulatory process is promptly streamlined and legal roadblocks removed to the completion and building of additional nuclear powered plants.

In spite of the public hysteria and the incident at Three Mile Island, the record of nuclear power as a safe and cost effective method of electric power generation has clearly demonstrated that it probably resulted in from 1/1oth to 1/100th the number of fatalities than if the same amount of electric power had been generated by coal. Also, none of the alternatives have been developed to the point that they have proved either cost effective or that adequate energy can be obtained from them during this time period–the next twenty years.

From a commercial standpoint, the Sprague Electric Company, which I founded in 1926, as a manufacturer exclusively of electric and electronic components benefits only in a minor way fromthe building of power plants either nuclear, coal or oil, although a modest number of our components do go into the instrumentation of these plants.

I speak with more than average experience as I have been for several years a member of the Visiting Committee of the Nuclear Engineering Department at MIT and I am also a trustee and member of the Executive Committee of the Mitre Corporation which has made a number of studies in the energy field.

Robert C. Sprague
Sprague Electric Company
North Adams, Massachusetts

RIPON RoundUp

John C. Topping, Jr., Ripon's president for the past two years, has resigned effective April 1. John has been on leave from his law practice since January serving as Campaign Director for John B. Anderson for President. Topping has produced much of the material and nearly all the inspiration for the *RIPON FORUM* since early 1978. He expects to continue working with the *FORUM* after his campaign responsibilities diminish.

Ripon Vice President Dick Salvatierra has now assumed the duties of president of the Society until the regular elections are held at the Annual Meeting of the National Governing Board in Nashville, 27 April 1980. Dick is president of Triton Corporation, a Washington management consulting firm. He has extensive experience in minority business development and in promoting trade with Latin America. A native of Arizona who grew up in a Foreign Service family, Dick has been president of the National Economic Development Association, and holds a Masters Degree in Public Administration and Urban Affairs from the University of Maryland.

In other changes, Ripon Executive Director Steve Livengood goes on leave from his position in May to work for six months on another consulting contract. Steve will be available to keep the National Office functioning, but his day-to-day responsibilities will pass to JoAnn Cassebaum, who has been serving as his assistant. JoAnn will be in the Ripon office in the mornings. Her efforts will be supplemented by student and intern assistants as available.

Addenda and Errata:

The January 1980 issue stated that John McClaughry was a Ripon member active in the Reagan for President Campaign. John is a Senior Policy Advisor to Gov. Reagan, but has never been a member of the Ripon Society.

BUREAUCRACY Marches On!

The Carter Administration is implementing its Rapid Deployment Force in the same manner that it approaches government policy generally: announce first, do the spadework later.

Senators at hearings on the new $6 billion fleet of CX cargo jets for the RDF discovered that each of the 130-200 jets will carry only one (yes, that's 1) battle tank.

Why? Because the Army insists on the biggest, heaviest tanks. And the flight weight problem is an Air Force responsibility, not the Army's worry.

Of course the Air Force already has plenty of the C5 cargo planes, but they are so huge that only an international airport can handle them. And still they can only lift one of the Army's 65 ton, $1 million XM1 tanks. Other equipment hauled in the C5 must be transferred to smaller aircraft if the "trouble-spot" is not convenient to an international airport.

Typically, the Pentagon bureaucrats count their bangs by the bucks, rather than bang for the buck.

Senator Sam Nunn suggested they just design the tanks to fly. A joke, right, Senator?

NOTE ON THE FEBRUARY ISSUE

The February issue of the *FORUM* contains our Annual Ratings of Members of Congress. The lack of substantive votes on a number of important issues in this session of Congress has made a fair rating difficult. We regret the delay.

Ripon Society Annual Meeting

The Eighteenth Annual Meeting of the Ripon Society will be held at the Holiday Inn - Vanderbilt in Nashville, Tennessee, Friday, April 25 through Sunday, April 27, 1980. All Ripon Society members, RIPON FORUM subscribers, and other interested individuals are cordially invited to attend. A single charge of $30 per person will cover the Friday evening dinner, Saturday luncheon, the Governor's reception and a ticket to the Grand Ole Opry Saturday night. Admission to the panel discussions is free, and open to all interested spectators.

REGISTRATION FORM

The Ripon Society 1980 Annual Meeting

☐ I will attend the Annual Meeting. I enclose ________ for ________ reservations at $30.00 each.

☐ Please reserve ________ places for the Friday night dinners.
☐ Please reserve ________ places for Saturday luncheon.
☐ Please reserve ________ Grand Ole Opry tickets.

☐ Please reserve ________ places with the Ripon no-host dinner for 8 pm at the Opryland Hotel before the 9:30 pm Opry show. NOTE THAT THIS IS NOT INCLUDED IN THE REGISTRATION FEE.

☐ I cannot attend but I enclose my contribution of $________ to the Ripon Society.

name ________________________________

address ________________________________

____

Please make all checks payable to Ripon Conferences. Mail to:
The Ripon Society 1980 Annual Meeting Registration
c/o Ms. Ann L. Tuck
615 Belle Meade Boulevard #D-2, Nashville, Tennessee 37205

Registration will commence at 5:00 pm on Friday and be followed by dinners hosted by members of the Nashville Ripon Chapter.

On Saturday the meeting will open with a panel discussion on the topic, "Southern Republicanism: 1980 and the Future," at 10:00 am.

The Main Luncheon at 12:30 will feature Mr. Gilbert E. Carmichael, twice Republican nominee for Governor of Mississippi.

The afternoon panel, at 2:00 pm will be "Foreign Relations, Military Policy and Alternatives to the Carter Doctrine."

Panelists will include:

Dr. Robert H. Donaldson, Associate Dean and Associate Professor of Political Science, Vanderbilt Univeristy.

Dr. William C. Harvard, Professor of Political Science, Vanderbilt University, and President of the Southern Political Science Association.

Mr. Floyd B. McKissick, former National Chairman and National Director of the Congress of Racial Equality, and President of the Soul City Company.

General William G. Moore, U.S.A.F. (ret.), former Commander in Chief, Military Airlift Command, former Assistant Vice-Chief of the Air Force .

Samuel A. Sherer, Attorney and Urban Planning Consultant to the governments of Egypt, the Philippines, and Indonesia.

The Governor of Tennessee, **The Honorable Lamar Alexander**, will host a reception at the Governor's Residence, in honor of Ripon's Nashville Chapter, at 5:00 pm.

A number of places have been reserved for a no-host dinner at the Opryland Convention Center, prior to our group's attending a performance of the Grand Ole Opry at 9:30 pm.

Sunday morning breakfast will be provided by Working Names, Inc. of Bethesda, Maryland, direct mail consultants to the Ripon Society.

The Eighteenth Annual Meeting of the National Governing Board of the Ripon Society will be held at 10:00 am at the Holiday Inn-Vanderbilt. The agenda will include plans for the **RIPON FORUM**, the direct mail program, membership activities, the Republican National Convention and election activities, including the Republican National Platform and party procedural reforms. A collation of Ripon position papers and possibilities for publishing a book will also be discussed.

The National Governing Board meeting is open.

Hotel reservations must be made through the Holiday Inn-Vanderbilt (615) 327-4707. Please identify the reservation as part of the Ripon meeting.